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13 November 1978

Dear Herb:

Thanks for sending the two photos from 3 October. I have framed the "formal" one -- in a collage which also exhibits your letter of 12 September 1978 and the clipping from the 8 September 1965 New York Times which reported that the post of Assistant to the Director for Public Affairs "now held by [] has been restored to its previous anonymity" -- and placed the more interesting one in the same folder of personal items that I keep the original of this letterhead.

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I trust that the enclosed letter to the Director will be of some benefit to all concerned. I do indeed look forward, not only to the Christmas party, but also to periodic sessions with you and the other "alumni" of the office.

In the latter connection, I think Paul Chretien and I could give you some useful background on our dealings with NBC-TV in the early 60's (especially how former DCI Allen Dulles felt about how they used an interview with him in a blast at the Agency), the results of the first "press conference" about the Soviet economy which was held just before I joined the office in 1964, the experience of "leaking" a story about Soviet "disinformation" in the Congressional Record, coverage of Admiral Raborn's activities, etc.

My best to your colleagues -- especially to my old roommate [] and to the lovely [] -- until my next visit.....

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Regards.

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A CHARITABLE ORGANIZATION DISTINGUISHED FOR ITS NEIGHORLY AND COMPANION-
ABLE FAMILIARITY WITH THE SUCCESSIVE STAGES OF ELABORATION THROUGH WHICH
THE EMOTIONS OF BIGOTRY ARE TRANSMUTED INTO
FUNCTIONAL BROADMINDED PREJUDICE.

13 November 1978

Admiral Stansfield Turner, USN
Director of Central Intelligence
Central Intelligence Agency
Washington, DC 20505

Dear Admiral Turner:

In the past week I have received two letters from CIA:

1. A nice note from Herb Hetu enclosing a remembrance of the session we former Public Affairs Officers of the Agency had in his office on 3 October (followed by the luncheon at which we had an opportunity to chat with you). I look forward to meeting with him on many occasions in the future, in the hopes that our experience in that job in the past may be utilized as guidelines for the future.
2. A form letter sent to Agency retirees, dated 3 November, signed by the Chief, Retirement Affairs Division, advising us that effective 1 January 1979 the Agency's Association Benefit Plan (medical insurance) would increase its monthly premium rates from \$21.65 to \$44.90 for self and family coverage.

I would appreciate hearing from you in the near future about this raise of over 100 percent in the cost of the Agency-sponsored program, especially in view of President Carter's much publicized attempts to hold down inflation.

My final assignment of a 24-year career in the Agency, following 3 years of Army service in World War II, was Retirement Counselor for the DDP. It was always a pleasant duty to explain to prospective retirees what great coverage they would get under the Agency plan for the rest of their lives. I find this latest announcement about the premiums being more than doubled to run directly counter not only to the President's policy but also to the spirit of the Agency as we knew it. Perhaps your present Office of Personnel officers can explain how the Physicians Mutual Insurance Co. of Omaha can offer, in a special insert in the 12 November Washington Post, an all-family plan for people 40 and over which provides first-day coverage for accidents and for sickness after 3 days for only \$18.05 premium.

Please receive this inquiry in the light in which it is sent: I am a proud retiree of the Agency, one who is glad to contribute to Herb Hetu's mission in whatever way I can, as well as an avid member of the Central Intelligence Retirees Association -- but one who is shocked at the unexpected treatment from the Retirement Affairs Division.

Cordially,

cc: H.E. Hetu, Dir., PA/CIA
[redacted] Pres., CIRA

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Hon. Herbert E. Hetu
Director of Public Affairs
Central Intelligence Agency
Washington, DC 20505

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TRANSMITTAL SLIP		DATE
TO: Assistant for Public Affairs		
ROOM NO. 1F04	BUILDING Hq.	
REMARKS: <i>See memo's under</i> <i>to</i> 		
FROM: D/Pers		
ROOM NO. 5E58	BUILDING Hq.	EXTENSION

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78-3697

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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Dear

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This is in response to your letter of 13 November 1978 to the Director concerning the increase in premium for the Association Benefit Plan. An explanation of this increase should have accompanied its announcement but unfortunately was delayed. A copy of the explanation being mailed to all retirees enrolled in the ABP is attached and I believe fairly well explains the circumstances that necessitated this significant premium increase.

We are not familiar with the benefits provisions of the Physicians Mutual Insurance Company of Omaha or its premium structure and therefore cannot comment on it. We do know, however, that the premiums of all plans of the Federal Employees Health Benefits Program, including the ABP, are based on each individual plan's claims experience and administrative expenses. A comparison of the premium of the ABP with other plans of that Program reveals that the ABP's premium for 1979 is generally comparable with the other plans. Perhaps what has not been so obvious is the fact that the ABP premium has been significantly lower in the past two years (for reasons explained in the enclosure) and this has required a sizable increase in order to reach the premium level needed to meet 1979's expenses.

I am sure the premium increase was most disappointing news to you as it was to others enrolled in the Plan. I want to assure you, however, that it is the product of financial fact and actuarial computation rather than any abandonment of our responsibility or concern for the Agency's employees and retirees.

Sincerely,

F. W. M. Janney
Director of Personnel

Attachment

Distribution:

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0 - Addressee

1 - ER

~~1~~ - PA (Mr. Hetu)

1 - D/Pers

2 - C/BSD

1 - C/RAD

1 - C/IB

POST OFFICE BOX 1925
WASHINGTON, D. C. 20013

Telephone:

17 November 1978 STAT

Dear Annuitant:

We regret that we did not include in our letter of 3 November 1978 an explanation of the factors which have necessitated the significant increase in monthly premiums for the Association Benefit Plan which will be made effective 1 January 1979. This letter is being sent to provide such background and to offer our apologies for overlooking the need to keep each member informed. There are four primary reasons for the increase: an exhausting of surplus funds, rising hospital costs, increased utilization, and added benefits.

Even a casual reader of recent newspaper and magazine articles on the rising cost of health care is aware that such increases have been excessive and have far outstripped the nation's general inflation. Yet, in the face of this, the premium of the ASSOCIATION BENEFIT PLAN has been held at essentially the same amount for 1976, 1977 and 1978. The Plan is no more immune to the fantastic increases in medical and hospital costs than any other but has been able to hold premium levels down because of an accumulation of reserves from previous years of good experience. The Plan's underwriter receives a set fee plus payment of allowable administrative expenses. Any excess of premium over claims and expenses is reserved for the exclusive use of the ASSOCIATION BENEFIT PLAN to offset future premium increases or improve benefits. As an example, in 1977 the claims and expenses of the Plan exceeded premiums by almost \$900,000 but this deficit was offset with prior year surpluses and because of this, no increase in premium was required in 1978. Based on claims received through August of this year the 1978 experience of the Plan will show a much greater deficit and will use up all of the remaining surplus. Therefore, there will be no Plan funds to offset increased premiums in 1979, as has been done in previous years.

Rising health care costs continue to be one of the most pressing problems confronting the nation's health care system. We see prices in the health care sector rising more steeply than for the economy as a whole. Numerous factors have been cited for these persistent increases, including the cost of new and sophisticated medical technology, more highly skilled personnel, hospital wage scales, general inflation, and the enormous demand for health services generated by government and private health insurance. The experience in the metropolitan Washington area where, in the past five years, the average cost of a semi-private

hospital room has increased from \$62 per day to \$120 per day is typical of spiraling costs throughout the country.

Not all of the increase in claims expense can be attributed to inflation. An analysis of claims figures indicates that claims are being filed by ASSOCIATION BENEFIT PLAN members in increasing numbers each year. We are unsure whether this reflects a greater incidence of illness or a greater awareness of what expenses may be claimed, or a combination of both. No particular category of illness or injury shows any significant increase. There is one statistic, however, that bears mentioning. Of the claims received in 1978, the average duration per hospital admission has climbed to 9.1 days from 7.7 days for 1977. Because hospital costs play such a significant part in the overall cost of the Plan, such an increase in time spent in the hospital must have a major impact. No one should deny themselves service to the detriment of their health, but we all must remember that any unnecessary expense that each of us incurs has a cumulative and pronounced effect on the premiums that we pay the following year.

Some perfecting changes in benefits have been introduced for 1979 as has been the practice in previous years. For example, the basic benefit for out-of-hospital x-ray and laboratory expenses is increased from \$100 to \$400 per person per calendar year, the basic benefit for private ambulance service is increased from \$25 to \$50 and the basic benefit for each doctor's medical visit unrelated to surgery while confined in a hospital is increased from \$10 to \$20. Complete information regarding perfecting changes for 1979 was included in the open season notice.

While the increase in cost associated with these increases in benefits has been relatively modest, it does add to the increasing cost of the Plan. The Association Board of Directors has, in its best judgment, annually reviewed what changes might be made in the Plan, but selected only those which amend some identified deficiency without unduly elevating the cost. The Board's aim is to maintain a Plan that is comprehensive in its protection while more than competitive in price.

In conclusion, we hope that this will help you better understand the basis for the Plan's rate increase in 1979. If you have questions regarding the Association Benefit Plan or your options under the Federal Employees' Health Benefits Program, please contact this office.

Sincerely,



Chief

Retirement Affairs Division

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